



FASS - PH
Spring/Summer 2019

Session 8: Public Housing Capital Fund Program



- Financial Data Schedule (FDS) reporting requirements for the CFP Program
- Reporting of soft and hard costs associated with the CFP Program
- Use of the memorandum accounts on the FDS for the CFP Program
- Reporting the Capital Fund Financing Program





Capital Fund Program

General FDS Reporting

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- The CFP Program must be reported at the individual “project” level
 - Each project has an individual balance sheet combining both the Low Rent and CFP programs
 - Each project has two income statements reporting financial activity for the Low Rent Housing Program and the Capital Fund Program
- CFP activities must be reported in accordance with generally accepted accounting principles (GAAP)



BLI Accounts

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BLI Quick Reference Chart	
Capital Fund Activity	BLI
Development and Physical Work	
• Site Acquisition	1440
• Site Improvement	1450
• Dwelling Structure	1460
• Dwelling equipment, nonexpendable	1465
• Non-dwelling structures	1470
• Non-dwelling equipment	1475
• Demolition	1485
• CFFP Debt Service Payments	1501 (by PHA) 9000 (by LOCCS)
Soft Costs	
• Financing	1430
• Transfer to Operations	1406
• Management Improvements	1408
• Resident Relocation and Mobility Counseling	1495
• Safety and Security	BLI for associated activity*
Other Costs	
• Administrative Costs	1410
• Capital Fund Program Fee	1410
• Audit	1411
• Fees and Costs, Legal	1430
• Homeownership	BLI for associated activity*
• Force Account Labor	BLI for associated activity*
• Physical Needs Assessment and Energy Audit	1430
• RAD	1503
• RAD	1504
• Economic Self-Sufficiency (soft cost)	1408
• Economic Self-Sufficiency (capital expenditure)	BLI for associated hard cost activity*



Capital Fund FDS Reporting: Recognition of Revenue

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- Recognition of revenue (hard and soft)
 - CFP revenues still need to be distinguished between soft and hard costs for GAAP reporting (**not BLI account**).
 - Hard costs typically include activities associated with the purchase of equipment, modernization work and other capital activity.
 - ◆ These costs meet the PHA's capitalization threshold policy.
 - Soft costs refer to the use of CFP funds to either support a project's operations or other expenses that do not meet the PHA's capitalization threshold policy.



Capital Fund FDS Reporting: Recognition of Revenue

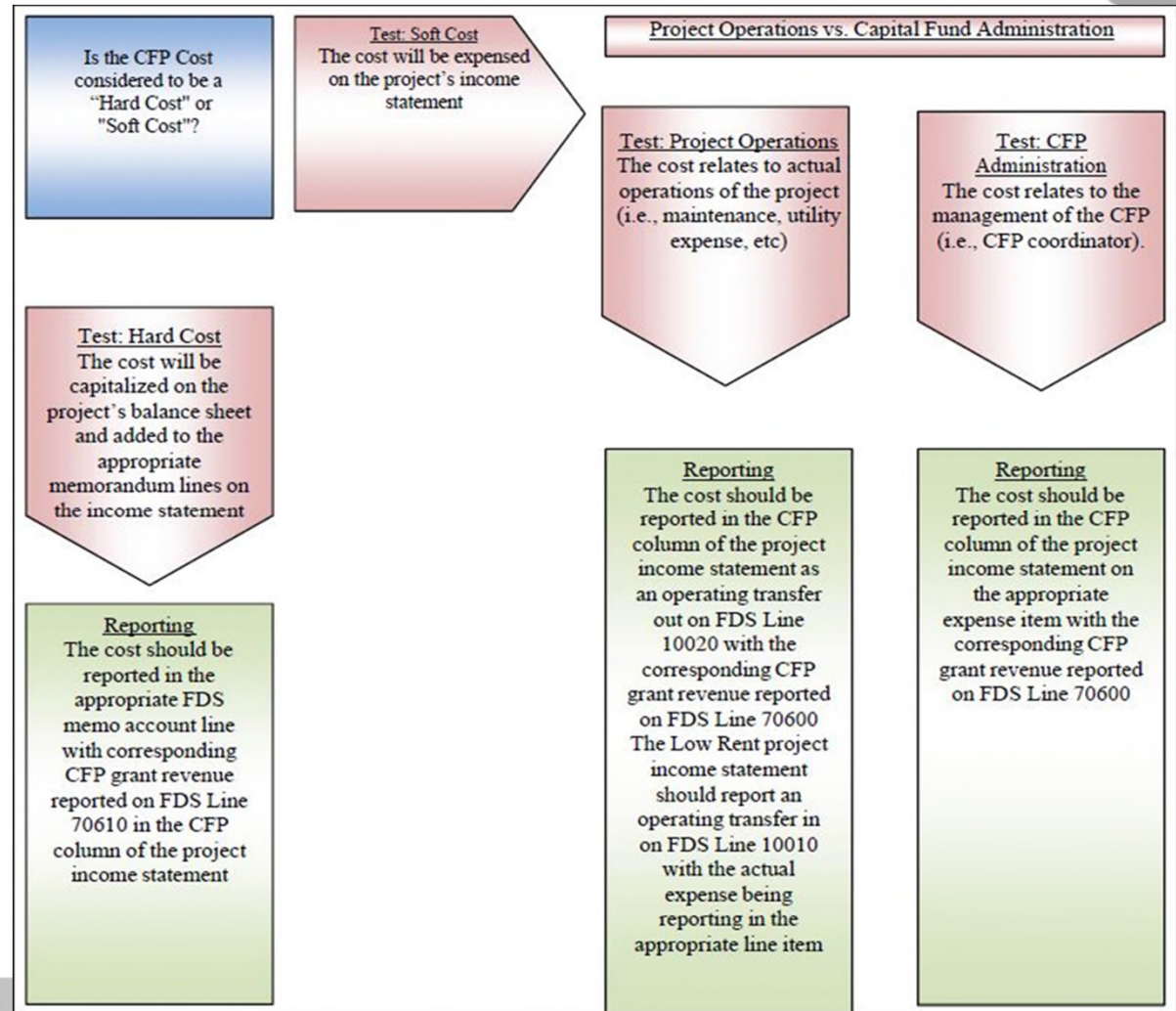
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- PHAs capitalization policy ultimately determines how Capital Fund amounts are reported on FDS.
- Revenue related to “hard costs” should be reported on FDS line 70610 (Capital Grants).
 - This would include principal payments on CFFP Debt.
- Amounts below the PHA’s capitalization threshold are considered soft costs, and the corresponding revenue is reported on FDS line 70600 (HUD PHA Operating Grants).



Capital Fund FDS Reporting

- A flowchart has been included as a guide on how to report both hard and soft costs on the FDS.



Eligible Activities Overview

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- Development – Construction and acquisition, development of mixed finance, consultants, operating expenses, pre-development costs, cost certification
- Financing – Applications, legal services construction interest, due diligence
- Modernization & Physical Work – Demo, reconfiguration, planning, site acquisition, site improvement, dwelling structures, vehicles, non-routine maintenance



Eligible Activities Overview, cont'd

- Soft Costs – Economic self-sufficiency, management improvements, resident relocation
- Safety & Security – cameras, lights, equipment, access control, security, fencing
- Other costs
 - Administrative - salaries, benefits, Doc prep, Resident Participation, Litigation
 - Cap Fund Fee – annual audit, legal, home ownership



Ineligible Activities

- Not related to PH, nor in 5 year action plan
- Not modest in design or eligible based on OMB guidance
- PH operating assistance, except for BLI 1406
- Benefits other programs
- Security or Supportive services



Other Limitations

- Other programs – limited to amounts directly attributable to PH
- Modernization – amounts in excess of 90% of TDC (reasonable costs) Some exceptions:
 - Emergencies, essential maintenance, safety and security of demo sites, etc.
- Administrative costs
 - Non asset management limited to 10%
 - CFP fee 10%
 - Development admin costs by asset management limited to 3%



Management Improvement Cost Limits

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- Reduction in Management Improvements

Federal Fiscal Year	Maximum % allowed
2014	18%
2015	16%
2016	14%
2017	12%
2018 and later	10%



Transfer of Capital Funds for Operations

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- Use only if in 5 year plan & approved by Board
- PHAs > 250 units – may use no more than 20% of annual grant
- PHAs < 250 units may use 100%
- Remember to use the correct transfer lines and make sure to record in the proper program.



Capital Fund FDS Reporting: Beginning Equity

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- Capital Fund Program Equity

- Report beginning equity – Should be PY hard costs not transferred to LIPH – FDS Line 11030
- Transfer of assets using the equity transfer FDS line 11040

Project - Income Statement				
FDS Line Item		Project Total	Low Rent	Capital Fund
11030	Beginning Equity	\$850,000	\$700,000	\$150,000
11040	Prior Period Adjustments, Equity Transfers & Correction of Errors	\$0	\$100,000	(\$100,000)



Capital Fund FDS Reporting –

1. Transfers to the Operating Fund

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- Transfers to the Operating Fund (BLI 1406)
 - The PHA would reflect amounts associated with BLI 1406 on the FDS as follows:
 - ◆ The project's Capital Fund income statement would report grant revenue in FDS line 70600 (HUD PHA Operating Grants) and would also report the same amount in FDS line 10020 (Operating Transfer Out).
 - ◆ The project's Low Rent income statement would report the same amount on FDS line 10010 (Operating Transfer In) with a corresponding increase in the project's cash balance reported on line 111 (Cash unrestricted).



Capital Fund FDS Reporting –

1. Transfers to the Operating Fund

- Reporting of Capital Project Funds for Operations

Project - Income Statement				
FDS Line Item		Project Total	Low Rent	Capital Fund
70600	HUD PHA Operating Grants	\$200,000		\$200,000
70610	Capital Grants			
10010	Operating Transfer In	\$200,000	\$200,000	
10020	Operating Transfer Out	(\$200,000)		(\$200,000)

Project - Balance Sheet		
FDS Line item		Project Total
111	Cash - Unrestricted	\$200,000



Capital Fund FDS Reporting –

2. Management Improvements

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- Management Improvements (BLI 1408)
 - The PHA would reflect amounts associated with BLI 1408 if used for soft costs on the FDS as follows:
 - ◆ The project's Capital Fund income statement would report grant revenue in FDS line 70600 (HUD PHA Operating Grants) and would report the same amount in FDS line 10020 (Operating Transfer Out).
 - ◆ The project's Low Rent income statement would report the same amount on FDS line (Operating Transfer In) with a corresponding expense. The FDS expense line(s) used to show the expense is dependent upon the nature of the expense.



Capital Fund FDS Reporting –

2. Management Improvements

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- Management Improvements (BLI 1408)
 - Once transferred to Low Rent, the “expenses” are not differentiated from other expenses funded through the Operating Fund.
 - If capitalized, report the expense like any other hard cost transaction.
 - Management improvements are limited to 10% of the grant award.



Capital Fund FDS Reporting –

3. Administration/CFP Mgmt Fees

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- Administration / Capital Fund Management Fee (BLI 1410)
 - Used to account for:
 - ◆ Eligible administrative costs of the Capital Fund Program
 - ◆ Capital Fund management fee
 - Limited to 10% of total grant award
 - Activity is only recorded in the project's Capital Fund income statement column



Capital Fund FDS Reporting –

3. Administration/CFP Mgmt Fees

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- Administration (BLI 1410) – Management Fees

Project - Income Statement				
FDS Line item		Project Total	Low Rent	Capital Fund
70600	HUD PHA Operating Grants	\$100,000		\$100,000
70610	Capital Grants			
91300	Management Fees	\$100,000		\$100,000



Capital Fund FDS Reporting –

3. Administration/CFP Mgmt Fees

- Administration (BLI 1410) – Expense

Project - Income Statement				
FDS Line Item		Project Total	Low Rent	Capital Fund
70600	HUD PHA Operating Grants	\$100,000		\$100,000
70610	Capital Grants			
91100	Administrative Salaries	\$70,000		\$70,000
91500	Employee Benefit Contributions - Administrative	\$30,000		\$30,000



Capital Fund FDS Reporting –

4. CFP Audit Costs

- Audit Costs (BLI 1411)

- Costs of the audit associated with the CFP Program

- ◆ Preference is to not charge any audit costs to the CFP program. Use low rent operating fund to pay for audit fee. Use CFP for capital needs.

- Reasonable determination of allocated cost

Project - Income Statement				
FDS Line Item		Project Total	Low Rent	Capital Fund
70600	HUD PHA Operating Grants	\$2,000		\$2,000
70610	Capital Grants			
91200	Auditing Fees	\$2,000		\$2,000



Reporting Other Capital Fund Activities – Force Account Labor

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- Force Account Labor

- Labor performed directly by the PHA for CFP work items

- ◆ Force account labor used to support capital works if capitalized and treated as hard costs
 - ◆ Force account labor not capitalized is treated as soft cost and recorded using transfer out to the Operating Fund



Reporting Other Capital Fund Activities – Modernization Coordinators

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- Modernization Coordinators
 - Position is funded through the Capital Fund Management Fee
 - Reported on the income statement of the COCC
 - Non-asset management PHAs would report this expense as a soft cost in the Capital Fund income statement.



Reporting Other Capital Fund Activities – Modernization Inspectors/Construction Supervisors

- Modernization Inspectors and Construction Supervisors
 - Charged to each project for actual supervision / inspection work
 - Typically, the documented cost associated with the inspector or construction supervisor is capitalized to a work in progress account.



Reporting Other Capital Fund Activities – Replacement Housing Funds

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- Replacement Housing Funds (RHF)
 - Reported similar to any other Capital Fund Transaction
 - Must also report in FDS line 13901 (Replacement Housing Factor Funds)



Capital Fund Program Final Rule

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- Published October 24, 2013
- Effective November 25, 2013
- Capital Fund Guidebook April 1, 2016
- Caps management improvement expenditures to 10% to be phased in over 5 years
- Defines ineligible expenses for management improvements
 - Ongoing security services not eligible
 - Direct social services
 - Security personnel are not eligible
 - Routine maintenance



Capital Fund Program Final Rule, cont'd.

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- Emergencies not identified in the 5-year action plan are eligible costs.
- Requirement for the new GPNA (Green Physical Needs Assessment)
- Additional Guidance on Replacement Housing Factor funding





Capital Fund Financing Program (CFFP) Reporting

CFFP Reporting

- CFFP allows a PHA to borrow private capital to make improvements.
- PHA pledges a portion of its future CFP funds to make debt service payment.
- The CFFP is not affected programmatically by changes introduced in the Operating Fund Final Rule.
- Project level reporting is required.



CFFP Reporting: CFFP Transactions

- Bond / loan proceeds and related debt liability will be recorded at the respective projects
- The increase in fixed assets due to modernization/construction work will be recorded on the respective project's balance sheet
- Grant Revenue associated with principal and interest payments will be recorded at the projects
 - Interest expenses should be booked under the Capital Fund column. The corresponding grant revenue for this transaction is considered a “soft cost”
 - CFP revenue for debt principal payment should be booked as a “hard cost”



CFFP Reporting: CFFP Transactions, cont'd.

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- The project's balance sheet will be adjusted annually to reflect the reduction in outstanding principal and to reclassify a portion of non-current liability to current liability.



CFFP Reporting: CFFP Transactions, cont'd.

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- Reporting CFP funds for a debt service payment on the new FDS:

Project - Income Statement				
FDS Line Item		Project Total	Low Rent	Capital Fund
70600	HUD PHA Operating Grants	\$20,000		\$20,000
70610	Capital Grants	\$70,000		\$70,000
96710	Interest of Mortgage (or Bonds) Payable	\$20,000		\$20,000
11020	Required Annual Debt Principal Payments	\$70,000		\$70,000
13510	CFFP Debt Service Payments	\$90,000		\$90,000



Conclusion

- Thoughts?
- Questions?
- Comments?



